SELECT COMMITTE ON CONSUMER CREDIT

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August 19, 1964

THE CHAIRMAN: Well, gentlemen, as we have a quorum the meeting will come to order. We will be hearing this morning from Mr. D. W. Rolling of Toronto, who is representing the Retail Merchants Association of Canada. Mr. Rolling?

MR. ROLLING: Thank you, Mr. Chairman. I want to apologize first that some of our delegation is not here, coming in from out of town. Perhaps traffic delayed them. And to clarify the situation for yourself, Mr. Chairman, and members of the Select Committee, we represent today the Retail Merchants Association of Canada (Ontario) Incorporated and our members are independent businessmen -- large, medium and small. This is representative today of the retailer who is in constant contact with the consumer for the sale of goods either by credit or cash. None of these people are experts, none are other than independent businessmen. I might say, before we begin, that some figures that were given the other day -- one in particular by myself -- was the total retail business done in Canada and we have now secured a breakdown of those figures to show what is we consider the pure retail figures and the figures that I gave you the other day included such things as the sale of alcoholic beverages, garages and filling stations, lumber and building materials, restaurants, fuel dealers and, of course, miscellaneous. We think that these figures will be of assistance to the Committee and to qualify this further reference

books that we have used -- I prepared it in the last two days -- have been requested and I am glad to state that all those reference books will be made available to yourself and the Select Committee on a loan basis for an indefinite period.

This is a breakdown of the figures from the Dominion Bureau of Statistics for 1962.

Also, Mr. Chairman, I have two charts that I will make available to the Committee. The estimated retail chain and independent by kinds of business in Canada and Ontario. These are broken down to grocery, general store and department store and they are reasonably late figures from the Bureau of Statistics. Also an estimate of retail trade by Provinces and kinds of business which points out the Province of Ontario. The sources of this information are at the bottom of the charts.

MR. MACDONALD: Mr. Chairman, may I ask about the 18 billion figure we got a day or so ago --

MR. ROLLING: That is the last figure, Mr. MacDonald, by the Department of Statistics for the year 1963.

MR. MACDONALD: In other words a year later than this?

MR. ROLLING: Yes.

MR. SEDGWICK: This figure would be a little over 17 billion.

MR. ROLLING: That is correct. That would be for 1962. Your increase would be reflected in

two ways -- one, your increases in prices of commodities as well as the (rest of sentence garbled).

Some other pertinent points that you may find of value. There are slightly over 60,000 retail outlets in the Province of Ontario. These, of course would have to be broken down into service types of independent operators as against the type who would be handling actual products for resale. Actually across Canada there are approximately 180,000 retail outlets of which 9,000 some-odd, practically 10,000 would be composed of department stores of four or more ( ). These figures too, on a breakdown, are available here if they would be of assistance to the Committee.

THE CHAIRMAN: Yes. If you would supply the Secretary with copies that would be useful.

MR. ROLLING: The delegation that we have present today represents a cross-section of the independent retail trade and we are prepared to the best of our ability to answer any questions that the Committee may want to ask.

THE CHAIRMAN: Would you care to introduce the other members of your delegation?

MR. ROLLING: Yes. We have Mr. Walter Boys of Woodstock, Ontario who owns two independent appliance stores. Our President, Mr. More on my right is in the appliance business in Stayner, Ontario. Mr. Allen B. Collis is in the car business in Peterborough, Ontario.

MR. MACDONALD: What business?

MR. ROLLING: The car business. Two of my delegation is missing, one man from Kitchener in the camera and supply business and one in the men's wear field from Toronto. Perhaps they will come later.

THE CHAIRMAN: If they do come later we would appreciate you introducing them.

We will proceed then with any questions the Committee might have, starting with Mr. Sedgwick.

MR. SEDGWICK: Well, Mr. Rolling, you don't have any written brief?

MR. ROLLING: I beg your pardon?

MR. SEDGWICK: You don't propose to present a written brief?

MR. ROLLING: No, Mr. Sedgwick, we have already endorsed the brief given by the Retail Council, in conjunction with our organization.

MR. SEDGWICK: I was just going to ask you that. You then of course know that the Committee is concerned with consumer credit, not really with retail sales, except to the extent that retail sales involve consumer credit. Firstly, about how many members are in your organization?

MR. ROLLING: This was stated in the brief, in the beginning of the brief the other day, Mr. Sedgwick, on the first page.

MR. SEDGWICK: Oh, I see, in the Retail Council's brief.

MR. ROLLING: It would represent approximately an active membership of slightly over

4,000 in the Province of Ontario.

MR. SEDGWICK: And to what extent do your members extend credit to consumers?

MR. ROLLING: This would be difficult to answer as an absolute figure, Mr. Sedgwick, but we would perhaps be safe to estimate that generally across our membership I think I would be close by stating that perhaps 30 to 40% of the business they do may be some form of consumer credit.

MR. SEDGWICK: And as they are small and independent merchants how do they do their financing? By that I mean do they carry the debt themselves or do they refinance with finance companies or do they go to a bank -- how do they do that financing. Let me give you a concrete example. Suppose I go into the gentleman who sells cameras and bought a hundred dollar camera and gave him twenty dollars down. How would the camera man finance the remaining $80.00?

MR. ROLLING: I think, Mr. Sedgwick, to give you an answer to that, many independent retailers would carry some portion of their credit themselves. And some portion of the credit may be carried by outside finance companies whom they may use.

MR. SEDGWICK: Yes. That is, they would assign the debt.

MR. ROLLING: They may.

MR. SEDGWICK: In those cases they would assign the debt and the obligation to pay would

be an obligation on the customer to pay the finance company and the finance company would look after it, is that right?

MR. ROLLING: This is right.

MR. SEDGWICK: Then I suppose if the customer defaulted the finance company turns the statement back to the dealer and the business of collection becomes his. Is that right?

MR. ROLLING: This would vary, Mr. Sedgwick. Some finance companies may handle the paper with no recourse and other may handle it with recourse. In other words the sale in that particular case repossession may take place, as you mentioned, on the part of the finance company on default. On the other hand it may be given back to the retailer.

MR. SEDGWICK: We were furnished yesterday with samples by Simpson-Sears and Eaton's and Freeman's and Morgan's, and in each case they showed their finance charges expressed either in absolutes or expressed, in the case of Morgan's and Freeman's, as a percentage of the balance of the previous month. Do your members, or do any of them, have similar charts as to their finance charges?

MR. ROLLING: I think generally I would have to answer that by saying no, unless they were handling it through a finance company; then the chart would, of course, be --

MR. SEDGWICK: Then, of course, they would adopt the chart of the finance company, would they not?

MR. ROLLING: In that particular case, yes.

MR. SEDGWICK: Well, coming back to my $100.00 camera and the $80.00 balance which the camera merchant held the debt himself. What would I pay as a service charge for, say, six month's credit. Is there any fixed fee, or does he make his own mind up?

MR. ROLLING: Well, this would vary particularly if the man was going to carry it himself. I think this perhaps could be answered for you if we apply this to the appliance business instead of the camera. I would call on Mr. Boys of Woodstock and perhaps he could furnish an answer for you on that.

MR. SEDGWICK: Well I think it would be helpful because it is only in that aspect of retailing that this Committee is concerned. It isn't concerned with the point of sale except to the extent that the point of sale involves an extension of credit. By that I mean, if the grocer sells groceries and is paid cash, that isn't really the concern of this Committee because there is no element of consumer credit involved. I don't think this Committee is much concerned if the grocer sells on a Monday and is paid on Saturday because really that's a very ephemeral consumer credit and involves, as I understand it, really no cost to the consumer. Whatever the customer gives may be on Monday, he pays that amount on Saturday. This Committee

is concerned with those cases where a charge is collected for credit. And if Mr. -- what was his name?

MR. ROLLING: Mr. W. W. Boys of Woodstock, Ontario.

MR. SEDGWICK: I'm sure the Committee would like to know what his practice is, how he finances that extended credit which involves finance charges.

MR. BOYS: Mr. Sedgwick, I can only speak from my own experience of 19 years in this business. At the start, as many others, I started on a shoestring so my credit extensions have been entirely through finance companies.

MR. SEDGWICK: By that, you would have available, just as an automobile dealer does, the finance company's form, is that correct?

MR. BOYS: That's true.

MR. SEDGWICK: And then when -- let us move into the refrigerator, this is along your line -- then if I bought a refrigerator and paid so much cash, you would complete the finance company form, have me sign it and then discount the figure with the finance company, is that correct?

MR. BOYS: That's true, and we would invite the customer to make the payments in our store. We keep you coming in to see us and we keep in touch with you and make sure that you are satisfied. If you make payments yourself to the finance company, the finance company will advance me the total unpaid balance

of the contract.

MR. SEDGWICK: Then as you made selections -- I suppose on a monthly basis -- you would prepare a form showing the collections paid, the money would be sent to the finance company and ultimately, if all went well, each particular note would be liquidated in that way, is that right?

MR. BOYS: That's true.

MR. SEDGWICK: Well then, you said that was what you did when you were not able to finance it yourself. Do you now, to some extent at least, do your own financing?

MR. BOYS: About two-thirds.

MR. SEDGWICK: About two-thirds. And do you have any -- do you take a note, for instance, do you take some security or collateral itself?

MR. BOYS: We take the -- in many cases of customers of long standing with number one records we perhaps just have them sign the invoice.

MR. SEDGWICK: Yes. And then, let us suppose the refrigerator is $500.00 and $50.00 is paid down and the balance is to be paid in nine equal payments of $50.00. That would be a not unusual transaction, is that right?

MR. BOYS: Well, usually there will be a finance charge.

MR. SEDGWICK: Well, that's what I was coming to. What finance charge would be added?

MR. BOYS: It is based on 9% per annum.

MR. SEDGWICK: Nine percent per annum. You say it is based on that. How is it expressed to the buyer, to the customer?

MR. BOYS: In dollars and cents only.

MR. SEDGWICK: Yes, in absolute figures. Does the customer know at the time of purchase that if credit is extended how much additional he will pay monthly in order to cover the service charge?

MR. BOYS: Oh, definitely.

MR. SEDGWICK: And he knows, you say, in dollars and cents. I'm looking at the Simpson-Sears and if the amount outstanding were $500.00 the monthly service charge would be $6.00, as shown on their statement. Would you express it the same way to your customer?

MR. BOYS: If the balance was $500.00 and they wanted twelve equal monthly payments, the 9% on the unpaid balance, which would be $450.00, --

MR. SEDGWICK: Let's take 500, it is e asier to do our calculating.

MR. BOYS: $45.00 would be added on the unpaid balance and then the nearest dollar will be added at so much a month starting on such and such a date.

MR. SEDGWICK: Yes. Well then, let us suppose it is 12 months and $45.00 is added, the service charge would be roughly $4.00 a month, isn't that right? A little less, of course?

MR. BOYS: Yes.

MR. SEDGWICK: So your deal with your

customer would be that he paid you the monthly payment, that is the $450 divided by 12, roughly $40.00, plus $4.00 a month service charge, is that right?

MR. BOYS: That's true.

MR. SEDGWICK: Now, would the $4.00 a month be constant throughout the 12 months or would it be recomputed monthly on the declining balance?

MR. BOYS: It would be constant.

MR. SEDGWICK: It would be constant. So that of course you will appreciate that you are really charging much more than 9% because as your balance declines you do not have as much money at risk -- you understand that, of course? I mean the 9% is just a figure of convenience which you use to compute the service charge, is that right?

MR. BOYS: Yes. They are invited, of course, if there is any opposition whatsoever to our finance charge,and it is below the usual acceptance corporation charge, then I invite them very strongly to borrow the money from the bank or wherever they wish to borrow it, because I would rather have the cash than the finance charges.

MR. SEDGWICK: Did you listen to Mr. Weir yesterday afternoon and the day before? Were you here then?

MR. BOYS: I was here Monday, sir.

MR. SEDGWICK: I see, well then I take it you take the same position that he took, namely that your merchants are not finance companies and the

less financing you have to do the better pleased you are. Is that correct?

MR. BOYS: Yes, sir.

MR. SEDGWICK: So again, coming back to my $500.00 refrigerator, if after the first month the purchaser decides to pay it off, the only finance charges he would pay would be the $4.00 for one month, is that correct?

MR. BOYS: That's true, yes.

MR. SEDGWICK: There is no penalty at all?

MR. BOYS: None whatsoever.

MR. SEDGWICK: It's a flat figure throughout the term of your contract and he can pay it up when he likes. Suppose he accelerates his payments in cost? By that I mean, if his obligation is to pay $40.00 a month, one month because he has worked overtime, as Mr. White says, he pays $80.00. Do you reduce the service charge for the succeeding months?

MR. BOYS: (Inaudible)

MR. SEDGWICK: Oh, I see. So if at the end of the time the account is paid sooner, then he would have a reduction in service charge. Is that correct.

MR. BOYS: Yes. We charge $4.00 a month for 12 months, for instance, and they pay it off in eleven, they get $4.00 off. If they pay it off in 10 months they get $8.00 off.

MR. SEDGWICK: I see.

MR. BOYS: That isn't very clear to them I know perhaps because they haven't borrowed a large amount, as you say, at the beginning of the contract. We feel to get them back into the market to buy a stereo set, let's say, I would like to see them pay that account out or add to it, and that's why we give a large rebate.

MR. SEDGWICK: I was going to come to the add-ons. If having purchased a refrigerator and made the payments for two months or four months and having discharged or nearly dischared that debt, they decide to buy a TV set, that would be just added to the same account, is that correct?

MR. BOYS: That's true.

MR. SEDGWICK: Yes. And then the service charge would be recomputed on the new figure, is that right?

MR. BOYS: That's true. A rebate would be given as soon as the first account is paid up.

MR. SEDGWICK: Yes, and then you start with the new figure -- shall we say 600 -- you recompute your service charge and you will recompute your monthly payments. Is that right?

MR. BOYS: Yes.

MR. SEDGWICK: For how long periods do you extend credit?

MR. BOYS: For 24 months.

MR. SEDGWICK: I see. That's your maximum, is it?

MR. BOYS: And a minimum payment of $10.00.

MR. SEDGWICK: Yes. I suppose you sell hard goods, do you?

MR. BOYS: Hard goods and services.

MR. SEDGWICK: Hard goods and services. Do you have any average? By that I mean do some people want six months, some a year, some eight months, some 24?

MR. BOYS: They can have anything up to 24 months, and the kind of payments you feel you can make per month. It's a convenience.

MR. SEDGWICK: Do you make any attempt to separate the operation of your credit department from the operation of your shop? What I am thinking of, sir, is the question of profitability. Do you find that you make money on the extension of credit or lose money. And when I say make money I'm not considering the fact that you keep people coming into your shop, because that's a facet of merchandising, but isolated from your ordinary business does the credit part of your business pay its way or lose or make money?

MR. BOYS: I don't know what to say to this. I hope it does pay its way and it pays a little more than it should because it is a certain service to the customer that the cash customer does not receive and therefore it should pay its way and perhaps a little more because of our risk involved and our extra work. We have credit transactions of

34,000 possibly on our own books and it certainly takes up a lot of my time and --

MR. SEDGWICK: Yes, of course. How big a staff do you have all told?

MR. BOYS: Seven.

MR. SEDGWICK: So that I take it you don't try to allocate the wages of those seven people as between selling and servicing and credit, is that right?

MR. BOYS: Not a breakdown, no.

MR. SEDGWICK: No. So you wouldn't have any accurate figures as to whether your credit department wins, loses or draws, is that right?

MR. BOYS: You are quite right. Our monthly statement has nothing to do with the credit part.

MR. SEDGWICK: No. You lump everything together and profitability is measured by overall profit, is that right?

MR. BOYS: Yes.

MR. SEDGWICK: How many outstanding credit accounts do you say you have at this time?

MR. BOYS: About 34,000.

MR. SEDGWICK: That would be 34,000 different customers or --

MR. BOYS: No, $34,000.00. It could be perhaps 175 different customers.

MR. SEDGWICK: And I suppose it is to some extent cyclical. That is it will mount up just before Christmas?

MR. BOYS: That's true.

MR. SEDGWICK: About what would be the maximum amount of money that you would have to risk in that way at your peak time of year?

MR. BOYS: Well, this is best we have done -- 34,000.

MR. SEDGWICK: 34,000, I see.

MR. BOYS: As the business financially is able to carry more of our own accounts I find it is very,very beneficial to carry our own accounts because of the flexibility between ourselves and the customer. It's a personal obligation and it certainly saves them some interest, especially those that prepay, the prepayment is so much better --

MR.SEDGWICK: If you handle it yourself.

MR. BOYS: Yes.

MR. SEDGWICK: I think you said, and I may be wrong, that about two-thirds of your credit business is now carried by yourself, is that right?

MR. BOYS: That's right.

MR. SEDGWICK: So if you are carrying about 34,000 there will be something like another 16,000 or 17,000 which you are still financing with finance companies, is that correct?

MR. BOYS: Yes.

MR. SEDGWICK: Would that be on larger items mostly?

MR. BOYS: No. That would be perhaps clients we haven't been able to afford to carry.

MR. SEDGWICK: Oh, yes, I see. When you don't consider yourself liquid enough to carry any more you send them over to the finance company, is that it? You wouldn't have to make any selection by size or good or bad accounts or anything of that kind?

MR. BOYS: No, but we certainly don't lose a sale by not financing it ourselves. It has become very prevalent that we find that we must to fill our sales and keep our present sales to finance our own people.

MR. SEDGWICK: Thank you very much, sir. I think those are all the questions I have.

THE CHAIRMAN: Mr. Irwin, do you have any questions?

MR. SEDGWICK: Oh, I have one other question. I addressed my question to you, sir,because you are here, but do you think that your own experience would be reasonably typical of the group that you are presenting here this morning?

MR. BOYS: I wouldn't like to say that, sir. I don't just get in touch with enough appliance stores to know their business.

MR. SEDGWICK: Thank you.

THE CHAIRMAN: Mr. Irwin?

MR. IRWIN: Yes, Mr. Chairman, and I'll try not to cover the ground Mr. Sedgwick has covered. I would like to ask Mr. Rolling some general questions. In the extension of credit by these independent retail stores would any particular store or

an average pattern of all stores indicate that credit was extended in different forms, like there would be a conditional sales contract, there would by the cycle credit such as we heard about yesterday, a budget account and a straight open 30 day charge account. Generally speaking do the independent retailers use any one of these forms in particular or by preference. For instance would you find an open charge account in a retail operation?

MR. ROLLING: To answer that as a general question I would say perhaps the forms that we heard about over the last two days are not in general use necessarily by retailers. This is, of course, governed by the size of their operation and to attempt to qualify that a little further, as a general rule the type of financing that you heard talked of by Mr. Boys would be more generally, I believe, in use by the retailers.

MR. IRWIN: In other words, generally speaking a person buying an article would either pay for it entirely at the time or he would, if there was a balance unpaid, he would enter into a conditional sales contract with the vendor.

MR. ROLLING: This would be --

MR. IRWIN: This would be the general case. In other words, we are not likely to run into the cycle accounts or budget accounts such as is used by the department stores?

MR. ROLLING: Not as a general rule.

MR. IRWIN: The Second question I think

has been answered in response to Mr. Sedgwick, but the conditional sales contract which is entered into might be retained by the vendor or it might be sold to a third party finance company and in that case of being sold to that house, generally speaking would such paper be sold without recourse to the merchant?

MR. ROLLING: I couldn't answer that, Mr. Irwin, as a general rule. The fact is some finance companies do have no recourse and others do not. But it has been a practice over many years and I speak now as though I am reasonably familiar with it as I've been in the finance business, that as a general statement the dealer is responsible for a repossession that is made. It could be returned to him in good or bad condition and he must be covered, if possible, if this event does take place.

MR. IRWIN: Maybe, I wonder if we could get the terms here. If the paper is sold to that company without recourse to the dealer that would mean that the dealer gets his money and that's the end of it. He has no further liability or any other action that he has to take in regard to his customer, is that right?

MR. ROLLING: Not as far as I know.

MR. IRWIN: But if there is recourse then the paper is turned back to the dealer and the dealer has to pay back the finance company and then take such action against the customer as he can by repossession or otherwise to cover the debt.

MR. ROLLING: Except to repossess there

is not too much action he can take against the customer. His problem is to try to recover what he can on the repossessed merchandise.

MR. IRWIN: In other words, the repossession might have been taken, or the action to repossess might have been taken by the finance company and then the article in question would be returned to the dealer to resell or somehow recover on it and in addition the finance company would be paid out by the merchant and then the merchant would try to recover the balance of the debt.

MR. ROLLING: This is right.

MR. IRWIN: Thank you. Then, would there be any basic or determinable difference in the amount of total finance charges charged to the customer on the conditional sales contract in the case of recourse paper or non-recourse paper?

MR. ROLLING: I would like to have our President, Mr. More, answer that. He is in the appliance business in Stayner, Ontario and perhaps has had such an occasion.

MR. MORE: Mr. Irwin, there definitely is a difference between non-recourse paper and recourse paper. But appliance people, my line of business particularly,don't use the non-recourse companies. We are trying to be competitive in the financing field. The use of recourse paper makes the rate pretty steep.

MR. IRWIN: In other words, if the arrangement between the merchant and the finance company is non-recourse, the customer is likely to be

paying more in finance charges for the same initial advance than if it was recourse paper.

MR. MORE: Definitely.

MR. IRWIN: Could you give any idea what the spread might be?

MR. MORE: I couldn't give it to you in figures, sir.

MR. IRWIN: Well to take Mr. Boys' add-on of 9%, supposing -- I don't know if it's true or not -- supposing this was non-recourse paper, an add-on of 9%, a recourse paper would result in an add-on of 10% . Would it be that much?

MR. BOYS: Oh, there would be that much difference.

MR. IRWIN: That much. Would it be 11%?

MR. BOYS: I think so, sir.

MR. IRWIN: Would it be 12%?

MR. BOYS: Well, like Mr. More, I never use the non-recourse stuff. (Next sentence inaudible)

MR. MORE: I would say, Mr. Irwin when you get a non-recourse paper you are getting close to the loan company figures.

MR. IRWIN: Well perhaps it isn't important to tie it down, but there is a differential as far as the buyer of merchandise is concerned. He's likely to pay more in finance charges for the initial advance if the paper is non-recourse than if it is recourse.

Is it -- I was going to use your contracts, but it would be too general -- is it a practice among the small independent retailers to set up a separate company for the purpose of carrying out the finance arrangements in regard to the conditional sales paper?

MR. MORE: It's not generally done in the small, independent retailers. It could be done in the larger operations, but not generally. I'm speaking of appliances.

MR. IRWIN: The ordinary practice would be either that the retailer carried his own contract or he discounted them with a finance company.

MR. MORE: That's right. You are speaking about sales, Mr. Irwin. Of course there are many things to be considered other than sales. We have a lot of service accounts -- going back to the question Mr. Sedgwick posed -- about how long, what interest charges would be applied to book accounts. There are many book accounts which develop through default, not by choice of the dealer and not by arrangement, but by default.

MR. BOYS: This could vary, Mr. Irwin, too with the size of the operation. There are quite substantial service accounts and these may take from 30 or 90 or 120 or longer periods of time through default of the consumer not paying, no arrangements being made.

MR. IRWIN: At the beginning -- it's an open account, yes. Well, this isn't a question, it's

a comment which might be of some interest to the line of questioning that has developed. I make this observation as an accountant that where it does exist a separate company, the shares of which are owned by the merchant and the purpose of that company is to, in effect, finance the paper of the retail store, that my observation is that it is possible because of that type of separation to determine how profitable the finance operation is as distinct from the store operation. Would you agree with that?

MR. MORE: Absolutely.

MR. IRWIN: But where the merchant does not have a separate vehicle that operates his credit arrangements in regard to customers, some of whom may elect the open account, some of them may take the conditional sales contract and so on. It is very difficult to assess whether the service charges result in a profit by themselves. It's just an accounting problem, it isn't that the merchant is trying to hide anything. I just want to make this clear from my observation. It's just that it is a difficult processing analysis to be made. But where there is a separate vehicle, a separate company, then it can be made, it's quite possible to relate the income from the finance charges to the cost of the finance operation. So that you are not prepared to answer.

The next question: Where there is a separate company in a separate finance operation, is it generally a profitable operation?

MR. MORE: I don't think it's possible for us to answer that, sir. I would say, Mr. Irwin, that taking reference to the finance companies there must be some profit in finance companies. (Laughter).

MR. IRWIN: In the case of where your merchant is discounting paper with the finance company with or without recourse, is it customary for the finance company to pay the entire sum over to the merchant on the initial advance or is there not a reserve held back by the finance company.

MR. MORE: Well, this may be dependent upon the condition of the retailer, I would say, Mr. Irwin; if they feel he is capable of buying back the merchandise they are advancing on, they aren't concerned about the debt --

MR. IRWIN: Supposing the merchant's record is a satisfactory one to the finance company, does not the merchant sometimes receive some kind of an income from the finance company as the result of his experience.

MR. MORE: Experience rating. Well, there is some experience rating as such, say a small percentage of the charges. Usually in this case there are two rate charges, and again, as I say, being competitive it would have to be absorbed in the retail sale at cost. If you are interested in giving the customer the best possible finance rate you can, so we always give them the cheapest rate charged.

MR. IRWIN: Assuming satisfactory experience, the merchant does gain some income from the finance operation where the paper is discounted with the finance company.

MR. MORE: Well on paper it might look this way, but it doesn't --

MR. IRWIN: Well, I'm not speaking about whether it is profitable to do so, he does get a receipt of some kind from the finance company?

MR. MORE: A little bit of rebate set up, yes.

MR. IRWIN: Then we touched on another point. Is it likely that customer A who comes in to buy an article, Mr. Sedgwick's refrigerator, and customer A in your books is not a very good risk. Customer B comes in to buy the identical article with the same down payment and in your book he is a very good risk, he's a good customer. Would the merchant charge customer A -- perhaps by prearrangement with the finance company, I don't know -- in other words, are there two schedule of rates? A gets this rate and B gets that rate?

MR. MORE: I mentioned there are two sets of rates in some companies, Mr. Irwin. Again I say (rest of sentence inaudible) I would say, your question, you know we don't operate this way. This practice may occur in some businesses but not in mine.

MR. IRWIN: These rates when explained to the customer -- I know that they are explained from my observation, the customer gets a statement of the

deal; the article costs so much, the down payment is so much and there is a net balance due and then the add-on of the charges and there is a total balance or aggregate balance due. Would it be a common practice to indicate the add-on charges as, say, 9% of the unpaid balance?

MR. MORE: As opposed to the dollar figure?

MR. IRWIN: Yes.

MR. MORE: Well, in addition the dollars and cents would have to be calculated out.

MR. IRWIN: I always wonder if somewhere you say we are adding on 9% of $100.00, therefore it is $9.00 and you are going to pay $109.00.

MR. MORE: There are two types of customers, I find. There is one customer who is interested in percentage and he's very quick to calculate his own percentage rate. He takes the dollars and cents and applies them to the balance. The other person is not interested in the percentage but the number of dollars. You are dealing with different types of people here.

MR. MACDONALD: This is the first person who has admitted there is a customer who is interested in the rate.

MR. MORE: Oh there definitely is, Mr. MacDonald.

MR. MACDONALD: We have been going for a year and this is the first time it has been admitted. What percentage of your customers would be

percentage customer?

MR. MORE: Part of it depends on the influence of education.

MR. MACDONALD: Well, could you give us some idea of the percentage of customers you would have who were interested in the percentage rate as opposed to dollars?

MR. MORE: Very small.

MR. MACDONALD: Very small -- 10%?

MR. MORE: Yes, possibly.

MR. REILLY: Repeat that again for Mr. MacDonald, will you? It is 10% or less that would be interested in making the inquiry.

MR. LAWRENCE: Just because you interjected that, the 90% ought to be enlightened also. That's what we are trying to do.

MR. REILLY: I just wanted you to know that 10% are interested in the answer.

MR. MACDONALD: I appreciate your correcting me because I was engaged in another conversation. (Laughter). I agree with something that Mr. Bukator said, though -- this is the proportion of our task. Because if we can educate the other 90 we can free a lot of money that has been wasted in credit today for sales and consumer goods and boost the economy thereby.

MR.LAWRENCE: Start 40 years ago.

MR. MORE: There are certainly a great number of people who would be interested in the percentages.

MR. SEDGWICK: You said some people ask.

MR. MORE : That's quite straightforward, that they do, 30% of the people do ask.

MR. IRWIN: Just to call for your opinion on the matter -- supposing the add-on rate is 9% and the dollars are also clearly shown -- I think that is essential -- would there be any objection by anybody, by any customers, to having that there?

MR. MORE: Very rarely because, as Mr. Boys pointed out, we give them the option of borrowing this money from any source they desire. If they have to pay extra money because their bank credit is not good, so they pay the extra money willingly.

MR. IRWIN: In other words, if the statement of the deal clearly shows the unpaid balance and the total of the dollars of the finance charges and also clearly shows the aggregate of the payments to be made and also the monthly payment that has to be made over the number of months to equal the aggregate, certainly I would think that everybody would want to know that. You would want to know it as the merchant and they would want to know it as the buyer. But if in addition you added a line which said these charges are an add-on of 9% of the unpaid balance, would you have any objection to saying that?

MR. MORE: No.

MR. IRWIN: Would the customer have any objection?

MR. MORE: I think there might be -- if we could say it was 9% I don't think anybody would fight about this. The point that I would object to would be calculating this actual amount.

MR. IRWIN: You mean working it out to the last decimal place?

MR. MORE: Yes.

MR. IRWIN: Well that leads to another question. One of the terms of the Committee is that -- I don't want to get into a big argument about this problem, but -- an add-on is roughtly actuarially 18% per annum. Leave out the word interest, state it as percent per annum on a reducing balance of the unpaid balance. Would you have any objection to adding a further line saying, another two lines, these charges are based on a 9% add-on which represents an 18% per annum on a declining balance. Would you have any objection to that?

MR. MORE: Well you are getting into something that is a little deeper than just strictly interest here.

MR. IRWIN: I agree. We are leaving interest out of it because it's too complicated a problem. On a straight statement.

MR. MORE: It's 18%, as you say, but you are including many services in that.

MR. IRWIN: Oh, yes, I recognize that.

MR. MORE: I think if you are going to state a figure like that you have to break it down

as such.

MR. IRWIN: This could become a very involved argument. I would just like to keep it on a simple basis. Supposing actuaries could provide you with accurate tables interpreting what a 9% add-on was in terms of a percent per annum on a declining balance. Supposing they could -- and I think they could -- and so therefore you could add this statement and be certain it was arithmetically accurate. I grant that it includes service charges and administration and all that sort of thing. It is just straight statement. We are -- the charges are 9% add-on which actuarially is 18% per annum on a declining balance. That statement and nothing else. Would the customer object to that?

MR. MORE: If it was properly explained to them I don't imagine they would object to it. I wouldn't want to say it was interest.

MR. IRWIN: No, no, leave out the word interest, I agree with you, but it's just a straight actuarial calculation interpreting what the 9% add-on is, would he object to that?

MR. ROLLING: Maybe it would speed up the payments if they knew.

MR. MORE: Mr. Irwin I would like to perhaps give you a little picture of that situation of what could or could not occur. If we assume that perhaps our larger mass of buyers are not educated to the actuarial methods of computation, and none of us are, we assume that many of our consumers are not too,

we could associate something else on a large purchase of any kind -- a husband and wife situation -- in which the budget of that family would enter into it. If we took a purchase of $140.00 and we said at that particular time to Mr. and Mrs. Jones that we were going to handle the thing in dollars and cents by saying their payments were going to be $20.00 monthly, about $5.00 weekly on a budget. This they can readily see they can handle. But actuarial computation may present the difficulty in which their interpretation of the figure which you gave of 9% add-on and 18% in actuality could present the difficulty in which you bring the wheels of progress to a grinding stop. These people are confused.

INAUDIBLE DISCUSSION BETWEEN MANY MEMBERS ALL AT ONCE

MR. REILLY: Mr. Chairman, I wonder if Mr. Irwin would like to on this premise then say that if you ask them to add-on 9% here and it represents 18% on the declining balance, whether he would suggest that the banks advertise 6% and it's 11.4 on the declining balance. And if we have no control over the banks at 11.4 -- it's a federal matter -- why should we ask them under the circumstances --

MR. IRWIN : Mr. Chairman and Mr. Reilly, I am not entering into the policy on this, I am simply looking for a reaction to --

MR. REILLY: You are a very reactionary person.

MR. IRWIN: About what you just said, Mr. Rolling, certainly the husband and wife or the person buying, he wants his statement, the unpaid balance,the dollar amount that the bank charges so that he can put it into his budget, he wants the aggregate to be paid and he wants the monthly charge so he knows that he can carry that amount. What arouses my curiosity is, having that information, which is the information he needs for his budget, why would the addition of these two lines make any difference in his decision, why would he be confused by it? Keep in mind he is not required to make any calculation. It's just that the vendor would make the statement.

MR. ROLLING: It would scare the pants off him.

THE CHAIRMAN: Mr. Boys would like to say a word on that.

MR. BOYS: If an article sells for $5.00, say, what percentage of this $5.00 item do you use in the packing of that article and the free delivery, we will say 100 miles from the store?

MR. BUKATOR: I'd like to ask a question at this point -- how often do you --

MR. IRWIN: Well, Mr. Bukator, just let me finish. In other words it isn't that you would find these statements difficult to make, provided you were provided with the necessary information, it is that you do fear an adverse reaction from the customer. Is this not the case? It isn't that it's all

that difficult and so on.

MR. ROLLING: This is a personal feeling, Mr. Irwin, from my experience. And as to the other two figures, the 9% add-on, Mr. Boys would like to express an opinion on that too.

MR. BOYS: Mr. Chairman and gentlemen, our biggest problem in financing accounts is not to get in to having to make two sales at one time and that is where we so very often run into, we put our best efforts forth, our best deal forth, and get an okay from the customer that they will purchase the goods. We are very happy when they say, "I'll give you a cheque for it", or, "I'll pay you in 30 days". There is no interest charged and you go on from that very, very happy. We always have a slight fear arise when they say, "How about payments?" We know if we are not very careful we are into another full scale sale. Now, people tend to ask for them too. What I mean by that, we give them the definite finance figures, the aggregate figures. If they want to know the percentage, and in my case there is one out of 20 that asks for percentage, I would tell them. But I know when I tell them it's 9% I have to make another sale because, and I have to be careful I don't lose my purchaser, it's very easily done. Because they have the idea in their minds the banks will loan at 6%, and that that's all we pay, and so on. I have to borrow money from the bank at 6%, yes, to carry my accounts. Otherwise I wouldn't if everybody paid cash. As you know today we pay 6% on that total amount

borrowed. We may have $5,000.00 borrowed at the bank and pay 6% on it every day, there is no declining balance until we pay the principal off for taxes. We may have $4,000.00 in our current account that we don't get any interest on at all. So that when you have to say to a customer that this is 9%, immediately they feel that you are overcharging, you shouldn't charge more than 6. I have never charged more than 6% on a blance over $200.00 until this year. I have raised it to 9 on the suggestion of my accountants. I was losing money at 6% and I was entitled to more. Still our rate is below finance companies and I am still taking the risk and I am still taking a good percentage of my time looking after these accounts. We don't get 18% because everybody doesn't pay when they should. They call up and say,"I have to pay the doctor this month, can I put it over to next month?" "We will double the payments next month". We say sure, your account is good and we are very happy to oblige. Sometimes we will say, "Forget this month's payment. We will give you an additional month". If we do and they take it, then we charge them the same rate, $20.00 a month or whatever figure you want to use. But I don't think for a minute that the government should put any more restrictions or add any legislation that is going to make it any harder for the retail merchant to carry on his business and make a reasonable profit. When I say a reasonable profit I mean it's a good business today in the retail business if you can make a

5% net profit. And that gentleman yesterday who said, "Why don't you give 5% off?" Well, we can't afford it in today's competitive market or we wouldn't make any net profit if we gave 5% for cash. That's the way I feel about it. If we can afford to give 5% off for cash we are charging 5% too much for purchases. And this case was brough up Monday and I read about it in the paper, about someone charging 87½% interest on money loaned -- I certainly don't go along with it and no one else does, other than the man who did it. But I think in any case like that there are extenuating circumstances. I think that the borrower should know that. I think the fault lies in the borrower too. And I believe that when we put down the dollars and cents in any finance contract we are doing it the easy, simple way that any purchaser can understand. And I don't see any reason for having to put down percentages for the simple reason that they do not understand it. They think it should be 6%. They don't take into account our troubles in collecting or expenses and so on.

MR. IRWIN: Mr. Chairman, I won't belabour this point. I think it has been brought out, what I feel should be brought out, that -- I'll make this statement -- as an accountant, if I were working for you I might very well advise you to raise your add-on from 6% to 9, as sound advice to you. I don't think anybody, certainly not I, would quarrel with your right to evaluate what you think you should get for the service you offer. But I feel that the

questions here have brought out that it isn't that it would be all that difficult to do, that the customer wouldn't have a comprehension of what it meant, but that there is a basic and possibly justified fear on the part of the businessman that this would discourage the customer. Would that be a fair statement?

MR. BOYS: So far, yes.

MR. MORE: Mr. Irwin, if I might interject one little point here. You tell them there is a 3% sales tax in force you spoil a lot of business. That means reselling the customer all over again because of that 3%. A lot of people think it's $30.00 on $100.00, you know -- that's how people calculate interest.

MR. KERR: Is it not the merchants who have brought some of this grief on themselves? You know, these great ads in the papers about beat the taxes and do these many things. I think they advertise this themselves.

MR. ROLLING: There would be an unscrupulous element that might try to capitalize on this, a very small minority.

MR. KERR: But they do it.

MR. MACDONALD: Mr. Chairman, may I interrupt at this point before we lose contact with what Mr. Boys said, because there is a real dilemma here. I sympathize with the reaction of the different men, and Mr. Boys' reaction, but he says the man who is charging 87%, there is something wrong with him. Now

I am convinced that the man who is charging in excess -- the 87% or even 50% or 35%, or something like this -- does it precisely because it is given to him in figures and not percentages. When he went to borrow that money he was told that he was borrowing money at 7% or 10% -- I have forgotten what it was -- but there are a whole lot of other charges, including a bonus thrown in and he hadn't a clue that this added up to 87%. If he had he would never have walked into it.

MR. BOYS: Were not these charges put in the contract before he signed?

MR. MACDONALD: Well in some instances they were not. But even if they were put on the contract, precisely because the average person is not capable of doing calculating, if you put down and told him the annual interest rate is 7% and the appraisal was such and something else was such and the bonus is so much, he doesn't realize that he is paying 87%. This is our problem as a Committee. If you don't put it down as a percentage, he doesn't realize that all those extra costs add up to an effective annual outlay -- let's get away from interest -- an effective annual outlay of 87% or 18% in the instance of a 9% add-on.

MR. BOYS: Is there not a law in this country that the contract cannot be added to or changed in any way after it is signed? And there is also a law that the customer must have a copy of that contract when he signs it, so that is just a straight case of

fraud.

MR. MACDONALD: The lawyer on my left here says no.

MR. BOYS: There is no law that the customer has to get a copy of the contract when he signs it?

MR. MACDONALD: I know one of the people who have done it --

MR. BOYS: Well, I understand that there is. I don't like to go contrary to the lawyer. But I certainly give it to them. I wouldn't have any reason not to.

MR. MACDONALD: I wasn't suggesting that they were added afterwards, I was just suggesting that if the contract doesn't spell out what the total cost to the consumer is in an annual percentage, then he has no idea what he is paying and he can be seriously misled by saying that the interest rate is 6% or 9% if there are a lot of other charges he has to pay. As far as he is concerned this is interest, this is an annual outlay, the accruing of interest.

MR. BOYS: This is quite true, but if the interest is computed as dollars and cents in the contract, he would be far more conscious than he would if it was on a percentage basis on the contract.

MR. MACDONALD: Why not both? What difference does it make as far as you people are concerned?

MR. BOYS: Well if he can't add one and two, then he can't add interest. That's what I'm

He can't calculate interest if he can't add one and two, the figures, the final figures, the aggregate figures.

MR. LAWRENCE: But he can use them for comparison, though, with finance company charges.

MR. BOYS: I would agree with you gentlemen, because we are not the guys you are after, it's these 87½% guys.

MR. LAWRENCE: That's right, this would be to your benefit. I can't understand why you take that position, why the opposition? Because the birds we are after and the birds that it should be in your interest that we should be after as well are the bottom 10% of the industry and this would go a great way, I think, to wipe them out. It would seem to your benefit, so I can't understand the opposition.

MR. BOYS: Are we dealing with the mortgage or the retail business?

MR. LAWRENCE: Well, we're dealing with the whole works and we've got a picture of the whole field.

MR. MACDONALD: You say you are not interested in this business really, it's just to get the business, the original business. You are in this as a service and it's really a nuisance. And from the viewpoint of the small retailer I can see where it would be an incredible nuisance because he hasn't got the means for building, in effect, a separate organization, whether it is legally a separate entity or not.

But if you were really charging 18% and they really can get it from the bank for 11, wouldn't it be good sense -- because everybody knows you can get it from the bank for 11 -- (rest of statement lost in change of tapes)

MR. BOYS: We invite them to go and get it someplace else if they can get it cheaper because we would rather have the bird in the hand.

MR. REILLY: Everybody can't get money from a bank, Mr. MacDonald.

MR. BOYS: It has to be more than 6%, but it's in everybody's mind that the bank only charges 6%, which is not true, but it's in their minds.

MR. REILLY: This is true. The point for years and years and years has been that bank interest is 6%.

MR. BUKATOR: Well it is. I get money at the bank for 6%. I get my $1,000.00 and if a month's time I pay it back I only pay 6% on a demand not. Now what are you talking about?

MR. REILLY: No, but not on this --

MR. BUKATOR: I'm talking about borrowing money to buy this man's appliance. I can get money at 6% from the bank.

MR. MORE: Not everybody can.

MR. BUKATOR: Everybody can.

MR. MORE: No, very few. A lot of people can't.

MR. BUKATOR: Well, I just want to make this one point clear, that money can be borrowed

from the bank for 6%.

MR. MORE: By you.

MR. BUKATOR: By me. I'm not the only one of 20 million that can borrow money from the bank. You borrow it on a demand note, and many of you have done the same thing.

MR. MORE: With collateral, with equal collateral.

MR. BUKATOR: But that's beside the point.

MR. REILLY: It isn't beside the point, it's part of the point.

MR. BUKATOR: Mr. Reilly, I think maybe you had better go and figure it out. (Laughter).

MR. LAWRENCE: Even the banks have different systems within the same branch if they get a different manager.

MR. BUKATOR: Yes, and different clients too.

MR. LAWRENCE: In one instance he subtracted the interest and paid me the balance and in the other he added it on and I had that total amount to pay back. So that, sure it makes a difference. And these were different managers in the same bank.

MR. MORE: And in our case we get no collateral whatsoever. Money is lent in our business and you get no collateral.

MR. BUKATOR: You get a lien on that object, don't you?

MR. MORE: Not necessarily, no, not

necessarily.

MR. LAWRENCE: Don't you get a repossession or a lien --

MR. MORE: Not unless it is in the contract.

MR. LAWRENCE: What percentage of your business do you do on pure credit, that is no --

MR. MORE: Quite a bit.

MR. LAWRENCE: Quite a bit -- do you come up with about 40% of your retail business on all sorts of credit? Would you like to estimate how much of that is on pure credit, that is no lien, no nothing. He walks out and you trust him to pay back within 30 days?

MR. MORE: 15 to 20% of it.

MR. LAWRENCE: 15 or 20% of the 40%? Or 15 to 20% of the total?

MR. MORE: Of the total.

MR. LAWRENCE: In other words half of your credit business is on pure credit?

MR. MORE: No, not half the credit, 15% of total volume, total business.

MR. LAWRENCE: I see. Then roughly 25% is the other. Would this be applicable, do you think, to the major hard goods store operators too who were most reluctant yesterday to give us this?

MR. MORE: I don't know how much credit they carry on their own books --

MR. LAWRENCE: You wouldn't want to hazard a guess? Because this is a field where

government statistics can't help us at all and they wouldn't give it to us. I think this is very material to what our ultimate recommendations are going to be.

MR. MORE: To be quite honest, Mr. Lawrence, perhaps they couldn't give it to you. I don't know. We have no way of knowing.

MR. LAWRENCE: Oh, I think they could.

MR. MORE: Well, it's possible. I don't know.

MR. LAWRENCE: I think they could but they didn't want to.

MR. ROLLING: I can see really why they wouldn't want to.

THE CHAIRMAN: Mr. Whicher, any questions?

MR. WHICHER: We have been talking about the appliance business, what about shoe stores or men's clothing stores, do they do much financing there or is this just straight credit.

MR. ROLLING: I think, Mr. Whicher, we can perhaps ask Mr. Allen B. Collis of Peterborough, who is in the apparel business to answer that.

MR. COLLIS: Well, if I understand your question, I mean I come from a small town, Peterborough, small retailers, but my experience with clothing stores, I don't think there is any finance charges there at all. I think we give you the credit and there is no cost or else you don't get it. Merchants are not magicians and if you are not paying

any service charge you are paying it in the retail prices. Not that's just the position of the merchant in a small town.

MR. WHICHER: Well, if I went in an bought a suit, say a $90.00 suit -- and paid $25.00 down, don't you charge finance charges on the balance?

MR. COLLIS: Yes. We have a charge of 1% on the remaining balance. This is after 30 days, 1% on the remaining balance every month.
We don't add-on to begin with, we add-on 1% -- on a $100.00 item with $10.00 down, we add-on 1% of the remaining balance of $90.00. If he pays another $10.00 another month and we add-on 1% to the $80.00.

MR. WHICHER: Would you say that there are fewer small retail merchants now than there were ten years ago?

MR. ROLLING: On the contrary, Mr. Whicher, I've got to take these figures from the top of my head, but I would say that the 1951 census showed about 123,000 retail outlets and a proportionate number of chains in Canada, and this figures has now changed to probably 180,000 retail outlets. Some of this can be attributed to increased population.
Although there has been, I think, an extraordinary ratio of failures, still they have increased. I think as the population of the country increases, which is quite rapid today, that your retailers increase proportionately.

MR. WHICHER: Would you say now that most of the small retailers -- when I say small

I mean down maybe to three or four employees, do most of them charge finance charges for their various items. (Rest of question inaudible)

MR. ROLLING: It would be a difficult question to answer, Mr. Whicher, from the standpoint of most of the retailers in Canada. A large percentage of retailers in Canada could be in the grocery business, the food business. Most of the food operations -- and I am only familiar with those in Ontario -- quite a bit of credit is carried on a monthly and six-month basis for families and quite a bit is not charged for in any way. And a large percentage of that sometimes becomes a loss, a complete loss. I will give you an example, recently in the Lakehead, of a medium size grocer there with outstandings of close to $30,000.00. Now this is a constant thing, except the retailer could specify on the monthly statement that overdue accounts would be charged a rate of some kind. But as a general rule, in that particular business there is nothing applied on the monthly statement.

MR. MACDONALD: He must charging a cent or so more per article or he couldn't survive.

MR. ROLLING: Not necessarily, Mr. MacDonald. He's in competition and he must try to treat his customer to retain his customer. With your larger chain stores, your food operation, for example, credit isn't possible at all, it isn't possible to get it. But your independent retailer is able to extend those things and make deliveries, and he's convenient

to the neighbourhood and perhaps over the years has dealt with father and son and brother Bill --

MR. MACDONALD: I'm not denying that. All I am saying is it would seem to me from a straight point of economics that if he is surviving he must be charging a cent or so more. I'm not being critical of it.

MR. ROLLING: Not necessarily.

MR. WHITE: This was Mr. Weir's argument yesterday about this rate structure that never did come out, it would be hidden in the higher price, isn't that right?

MR. LAWRENCE: Well in some types of business this may be driven underground. Take the retail pharmacy business for a good example, they do carry credit without any rate at all. He takes his fortune where it may lay.

MR. ROLLING: What the rest are doing we can't say.

MR. LAWRENCE: This is correct.

MR. ROLLING: The small retailer makes a lot of it up by working 12 or 14 hours a day.

MR. LAWRENCE: That's right, 12 and 14 and 18 hours a day.

MR. ROLLING: That's right, like a farmer.

MR. WHICHER: Let's not compare the two. (Laughter)

MR. ROLLING: Why not, they both have

to eat. (Laughter)

THE CHAIRMAN: Mr. Bukator?

MR. BUKATOR: Well I can't seem to -- as we go on I continue to get confused. The merchants that were here as represented by Mr. Weir say that they would much rather have their cash. If the customer would come in and lay the money on the barrelhead, he could pick up his crackers and go home. This they would like. This gentleman says that he adds on 9% -- and we are talking about interest rates -- on that account. And it has been revealed to us here this morning that that 9% turns into 18%. Now then if you were to have an actual percentage of 18% on that account, don't you suppose that that individual would go shopping for his money somewhere where he could get it for a lesser amount? So then he could come to you and lay your money on the barrelhead. I think he would be helping you instead of hindering you.

MR. MORE: We would hope he would.

MR. BUKATOR: Now then we are all looking in the same direction. You want your money and we are going to get it for you. In the meantime that's exactly what's going on. In the meantime you will find the fellow who has been charging the 24 and the 36 -- we have had them up to 87½% -- stopping that practice because these people are putting them out of business or bringing them down to doing business in an ethical way. Now as I said yesterday when Mr. Weir left, I am still sticking to what I believe was right in the first instance, that if the interest rate

was revealed on that account people would get their money and they would pay you cash and you would be happy and the lending institutions that are geared to to bear this added expense of handling the accounts would also be happier because they would be turning that much more over. Now all I have to do is convince Mr. Reilly and we are all set.

MR. REILLY: Where are the customers going to get the cash?

MR. BUKATOR: Well I think the first thing I would do, would be to take my insurance policy -- and there is nobody that I know that hasn't got some kind of insurance -- and I would deposit that with my banker, such as I have done, and I have never seen those policies for years.

MR. REILLY: That's why you get money at 6%. Anybody can do that.

MR. BUKATOR: That's right. Now Mr. Reilly and I are on exactly the same argument. Anybody can do that that has insurance. I'll take it a step further, that has insurance, and I don't know anybody that has not got insurance.

Gentlemen I've made my point. I know that you can get money at a much lower rate than the 18% which you reveal as 9% on your account. And he will come and pay you cash and you will be much happier because you don't have to work overtime to handle those accounts, but the lending institutions that are geared up to handle them can.

MR. BOYS: I will go along with you,

sir, if you can guarantee that the customer will go to the bank or someplace and get the money and bring it back to me. I can tell you of one case only where I sent the customer to the banker. He got after me and said, "Why should you carry these accounts? Send them to me". I said, "What's the deal?" He said, $4.75 flat charge plus 6%". I said, "Well, that sounds pretty good, I'll do that". So the next customer who came in, we talked about interest rates and so on and I advised him to go down to my bank and he could borrow the money there. That was three years ago and I'm still looking for my sale.

MR. BUKATOR: Now then, to entice these people to come back --

MR. REILLY: And that $4.75 might represent 52%.

MR. BUKATOR: You don't calculate too well this morning either. What particular item are we talking about, the $5.00 one or the $500.00 one?

These gentlemen were at Niagara Falls -- by the way thank you very much for the invitation to that lovely dinner, I enjoyed myself -- and some of your members have belonged to your Association for some 50 years, I believe you have been in operation, and you have members who still belong. I do believe, Mr. Chairman, that we are all heading in the same direction trying to help the people who cannot help themselves and I think by revealing somehow to them what it costs them to get their money, this would assist

us all.

MR. SEDGWICK: Mr. Bukator, there is one thing, and I speak from personal experience, there is a strong psychological block about borrowing on insurance. When you tell him he can borrow cheaper by spending your insurance policy, I think he is very prone to say, "I'll do without the refrigerator".

MR. BUKATOR: Like his mortgage on his home.

MR. MORE: When you tell him to go out and borrow the money and bring it back, your sale is gone.

MR. BUKATOR: Where do you think the man you sent down to the bank went?

MR. MORE: I don't know, he may have gone about it (rest of sentence inaudible)

MR. LAWRENCE: This isn't a credit problem, though, is it? This is a selling problem. That's your worry.

MR. BOYS: I only say when we have to sell credit we have to make two sales, and the moment we know he is not going to pay cash, we know then we haven't made the sale yet. The consumer today is so well protected with the competitive market we are all in, I can't see anything wrong with it, and, as I say, I think we they can add one and one that's all they need to be able to do, when we show them the aggregate figures that they are going to have to pay.

MR. MACDONALD: Well, but, Mr. Boys, I

tried to make the point earlier, the consumer is not in a position to appreciate what advantages the competitive market will give him unless it is calculated on a percentage basis, because otherwise you've got a thousand different ways of doing the calculations and he hasn't a clue as to what the percentage is and therefore he looks at it simply, can I pay it? He only thinks, "Can I pay it in my budget". If he can meet it in his budget he goes ahead and pays it not knowing whether the percentage is 15, 18, 30 or 87.

MR. REILLY: He's got the best possible standard he could have in the unit of one dollar.

MR. BOYS: That's right. If you gentlemen are going to pass legislation where we have to show percentages, if you are I'm not going to show it is 18% or 9, I'm going to show it as 3/4 of 1% per month and I'm still under, I believe, most finance companies and most large chain stores, and that's the way I'm going to do it and I won't mind doing it a bit. Nobody is going to look at it though, because they are going to look at the right-hand column, "what am I going to have to pay?" Sometimes I think what about the merchants? Why doesn't the government pass legislation to keep us from getting taken by some consumers?

MR. LAWRENCE: Some legislation favours retailers over the years, as far as resale agreements and a few things like that.

MR. WHICHER: I wanted to ask Mr. Boys, if you state your credit at 3/4 of 1% per month. Now supposing Eaton's had credit at 1% per month, that would be quite an advantage. I mean if the fellow is buying a refrigerator, if he can add one and one, would say, "I got a deal from that fellow in Woodstock, he's giving me credit at 3/4 of 1% per month."

MR. BOYS: My only objection to that is that certain (rest of sentence inaudible)

MR. ROLLING: To answer something for Mr. MacDonald with regard to percentage -- and this is only an observation, a personal one--quite a few years ago in the appliance business and it remained a mystery for quite some time until it was properly searched out, some major appliances were advertised at 10% down with cost figures. And you would feel that the average person would be able to apply that very quickly if you quoted the price as $327.56. This is not done and it is rarely a practice today in that field because of the lack of response from Mr. and Mrs. Consumer to apply this to that particular item they were interested in. In putting down dollars and cents of the down payment this was very rapidly and easily applied to their household budgets or what their monthly income might be. I say in dollars and cents it is much more easily handled by most people.

MR. REILLY: Mr. Rolling, are you telling us that they weren't able to calculate 10% of

the purchase price?

MR. ROLLING: As a general rule they weren't getting any response to percentages down, that's right, Mr. Reilly.

MR. MACDONALD: Let me put it this way -- tentatively my thinking now is that the educational process can be assisted by putting both down. I grant you that the average person -- this is obvious in view of the testimony we have had -- the average person is not interested in the rate, he is interested in the amount. But over a number of years, if he knew that the effective annual rate was 9 or 18 or 35, I think you would educate him and I agree if we got it into the schools, teaching credit, they would be looking for it and he would be going to the man who was charging 3/4 of 1% a month even though he is told this is 18, because the man who is charging 1% per month amounts to -- what is it, 24?

MR. IRWIN:: Three-quarters would be about 9, 3/4 of 1% would be about 9 actuarially.

MR. MACDONALD: But on an unpaid balance, it would be --

MR. SEDGWICK: If you add it at the start it would be 15. Mr. Boys adds it at the start.

MR. BOYS: Again, sir, if you add it at the end they don't want to pay it, they refuse to pay it. But if I add it first and they pay it sooner they are tickled to death because they are

getting a nice good discount.

MR. MACDONALD: Mr. Rolling, generally -- our friend from Peterborough indicated that it's 1% and apparently this is on the declining balance -- is the general procedure among the smaller retailers who deal in this fashion, that it is on the declining balance or is 1% added on as sort of a calculation of interest and principal over the period?

MR. ROLLING: That would be difficult to answer, Mr. MacDonald. It might be principal and interest and benevolence by a 30 day free ride. Mr. Collis pointed out if they are good paying customers and a good risk it is very often forgotten, is that not right?

MR. COLLIS: The interest rate is not the important factor, in our business, and I'm sure this happens in many small merchants. You must understand that the cost of operating credit (rest of sentence inaudible)

MR. MACDONALD: Well the only point, Mr. Chairman, and we are interested in getting the facts of this statement and come to a conclusion on policy, and I happen to have a very interesting case here of a man who was really sharp. He bought an appliance for $750.00 and he was told that the interest rate was going to be 7% and this would amount to $262.00 over a five year period, $262.70, so the total amount he would have to pay would be $1,012.50. Now the 60th payment was $20.00, but the 59 payments were each $15.92½, which was made up of $12.42½ on

the principal and \$4.37½ on the interest, but this was not on a declining balance, it was on the overall. So he did a calculation and you will be interested to know that at the beginning of the second year his interest rate was 8.79, at the beginning of the third year his interest rate was 11.4, at the beginning of the 3rd year his interest rate was 16.85, at the beginning of the 4th year his interest rate was 32.3 and in the months of the final year, because he was paying on the whole amount and most of it he had already returned, his interest rate escalated in the final 12 months to 34 to 48 to 41 to 46 to 52 to 59 to 69 to 83 to 103 to 137 to 203, to 391%.

MR. WHITE: That doesn't prove a thing, though, that's a blended payment.

MR. MACDONALD: Yes, this is blended payment. But what I am saying is -- and I grant you that taking the last year gets you completely out -- but let's go back to the beginning of each year. His interest rate was 7, 8, 11, 16 and 32 at the beginning of each year.

MR. WHITE: Not really though.

MR. MACDONALD: The month at the beginning of each year, on the 13th month, the 25th month, the 37th month and the 49th month.

MR. REILLY: What did he do, borrow money from the bank?

MR. MACDONALD: Well I'll tell you what this fellow did, he was smart enough to go and

borrow the money and get out of the contract.

MR. WHITE: That's what he should have done in the first place.

MR. MACDONALD: All right, but the point is the average fellow -- this fellow could calculate so he did his calculation. Now the interesting thing is this is Consumers Gas and I checked with the company and this is the way they operate, he conceded, in the accounting department that this is the way they charge.

MR. WHITE: This is what it is in every blended payment. You have to determine the effective interest rate over the term.

MR. LAWRENCE: What was the average?

MR. MACDONALD: I don't know what the average is for the full term. But if the average is 18, all I am saying is that the little fellow comes in and he says, "I am being charged 7%". If he was told that his average interest rate over the whole period was 18, he wouldn't buy.

MR. LAWRENCE: He would go and borrow.

MR. MACDONALD: This fellow did calculate and therefore did go and borrow and got out of the contract.

MR. LAWRENCE: I've got two questions. You probably covered this before I came in and I apologize, but how many of your 4,000 members in Ontario would you estimate use an outside credit group or organization. I mean I have seen in many small

store windows "We are members of the IAC" or something like that.

MR. MORE: Then you are getting back, sir, to a different classification first of all. There are classifications that wouldn't use outside financing at all.

MR. REILLY: There are classifications that what?

MR. MORE: That wouldn't use outside financing, small shoe stores and small clothing stores, places of this nature. Appliance stores, for instance, they would all use outside financing, virtually all.

MR. LAWRENCE: I see, so it boils down to the type of stores more than anything else. Well you do have department stores, smaller ones, would the majority of those, then, run their own credit organization or would the majority take it outside?

MR. MORE: The majority, I would say, do both.

MR. LAWRENCE: The majority --

MR. MORE: No survey of absolute figures has ever been conducted on this point.

MR. LAWRENCE: I guess we will have to ask some of these private operators.

MR. MORE: You will have to get out and do a survey from door to door in the retail business.

MR. LAWRENCE: How about general

stores, do you think the majority of them would use an outside group or not?

MR. MORE: On their hard goods.

MR. LAWRENCE: On their hard goods. Men's clothing do their own, I assume.

MR. MORE: On a small store I would say so, yes.

MR. LAWRENCE: And hardware stores would almost exclusively be outside, you think?

MR. MORE: On their bigger items.

MR. LAWRENCE: And appliances?

MR. MORE: Most of them.

MR. LAWRENCE: Jewelry stores, what do you think about them?

MR. MORE: Outside.

MR. LAWRENCE: Outside more than inside?

MR. MORE: Well that is the small independent jewelers now.

MR. LAWRENCE: Oh, yes.

MR. MORE: It would depend a great deal on the amount purchased, Mr. Lawrence.

MR. LAWRENCE: Well, the other question I have been trying to ask everybody and have been getting no answers at all. You have been sitting here for three days now and you see what we are after, what we think we're after. Have you any specific suggestions to help us? Or do you even agree that the present situation isn't satisfactory or what?

MR. MORE: Well unless you can boost

up the banks a little more so the money is a little more freely flowing from the banks you are going to be faced with financing of some sort.

MR. LAWRENCE: We are presumably called into session here -- I don't really think the retail store field is one that is bothering the government or the people as much as some other fields, but it is on our agenda and we obviously feel that there is some trouble here or otherwise we wouldn't have asked you to come. Presumably you do too, otherwise you wouldn't have felt it worthwhile to come before us. So there is a problem. The situation at the moment obviously is troubling some people. We are trying to arrive at a standard of comparison so the consumer can compare these different opportunities that are available to him in the credit field. Have you any specific conclusions or suggestions for us as to how we can arrive at an answer?

MR. MORE: I think a great deal of that, Mr. Lawrence, was stated in the brief. We are vitally interested in seeing that the consumer be protected from the unscrupulous element that may be present in the retail group. And certainly, from the retailer's viewpoint, that the not unscrupulous retailer be protected from the unscrupulous one too. We are certainly very interested in anything that is going to interfere or slow down the operation of the retailer who may have to get into excessive calculations which would present a major difficulty

to a one-man operation as against a one-man and four employees. So this is another reason why we are here to try to lay before you and this Committee as much information of the operation of the contract between a consumer and a retailer. I think further to perhaps assist your observation that a great deal of care needs to be exercise if any of these recommendations are made and if they are to be made that certainly those that are going to be involved in it perhaps may have the opportunity for consultation on such measures. We have something else to that is happening in our society. I truly believe that our average consumer is much more sophisticated than he was, say, eight or ten years ago when perhaps credit wasn't as extensively used as it is today. Mr. MacDonald brought out the point that perhaps it should be dealt with more fully in our schools, particularly our consumer coming up in our high schools. It is being dealt with in the curriculum of education today and I think the consumer is credit wise, more so than ever before. You brought out perhaps an isolated case here and there where the consumers haven't been, but I think as a general rule they are more sophisticated than ever before and getting more so.

MR. LAWRENCE: In our search or our groping for a standard of comparison other than the actual money figure, the only other one, I think, that we have been able to hit on so far is a percent; we are not calling it interest, we are calling it just a plain percentage. Have you any alternative to that?

MR. ROLLING: Well you would have to break it all down --

MR. LAWRENCE: Well, we can't break it down. You people have been foremost in saying that it can't be broken down.

MR. BOYS: I fail to see how that would even interest the consumer anyway.

MR. ROLLING: The thing is this, as a Retail Merchants Association we are concerned with two or three elements here. The first element is that we are trying not to discourage retailing and certainly not to decrease the amount of retail level. Another thing we are trying to prevent is the complicating of the interest rate, of calculating, for the retailer. And of course we are always concerned that the individual consumer is protected.

MR. MORE: We have a great danger too, Mr. Lawrence, of trying to regulate the mass of retailers because of a small element of the unscrupulous.

MR. LAWRENCE: Laws are always written though for the small element.

MR. REILLY: We have laws against murder that deal with only a small percentage of 1%.

MR. MORE: Well, you can make this comparison. But we take the unscrupulous who may decide if it was to be used and all the elements that are in it, or carrying charge, as you may want to term it, could vary these things in a variety of ways and we would then have what I would broadly term the battle of interest rates by percentage. To Mr. Irwin

the handling of percentage is a toy, but it could also become a toy in the hands of the unscrupulous.

MR. REILLY: It's no toy with him, it's an obsession. (Laughter)

MR. BOYS: Mr. Chairman, could I ask just one question? To my way of thinking first we sell the goods, then if they want a time-payment plan we sell the time-payment plan, and if it comes that we must show the interest rate on the second sale, why don't we have to show the gross profit rate on the first sale?

MR. LAWRENCE: Because we are not so sure that there is profit on it? You are denying there is profit.

MR. BOYS: No, no, on the first sale?

MR. LAWRENCE: What business is it even of the consumer whether you are getting a 10% markup or a 40% markup. That's your business, not his.

MR. BOYS: That's right, now what about the second sale?

MR. LAWRENCE: On the second sale as far as a percentage is concerned, it was sold him simply because this furnishes something we have a standard for, or we think it might. Because there are certain bodies in the credit furnishing field that do have to furnish this on a percentage basis. This is where we are presently breaking down, at least we think it's breaking down.

MR. BOYS: It's possible, you know, to sell the consumer on a terrific markup too.

MR. LAWRENCE: Oh, sure it is.

MR. BOYS: So why shouldn't we have to show our gross profit on that first deal, the percentage, if we have to show it on the second?

MR. LAWRENCE: Well, as far as consumer credit is concerned, if you think it is and you would like to see some restrictions along this line --

MR. SEDGWICK: Don't worry, Mr. Boys, you never will.

THE CHAIRMAN: We are involved with dealing with disclosure. How much information we can disclose to the buyer so that he can compare one transaction with one dealer with the same transaction or similar transaction with another dealer. We are interested in your opinion as to how much value it would have to disclose a specific rate and why it might hurt you and so on, that's why we are here, to find these things out.

MR. COLLIS: If the federal government charges 10 or 11% federal tax openly rather than hidden, you would have a changed reflection on our customers. If they know how much they are paying -- we had quite a reaction on the 3%, but it's almost forgotten now, but 11%. It would be the same as showing them we are charging -- well, not 87%, because this is different, this is a mortgage company, but 18% retailing -- we show this 18% -- in other words it seems to me, I don't know, I may be wrong, that the Committee is trying to curtail retail credit.

THE CHAIRMAN: No, no, we are not doing any such thing.

MR. COLLIS: This is one way of doing it, rather than encouraging it. I'm just thinking out loud -- possibly a ceiling on service charges might be made, rather than just having retailers establish -- you are just defeating what the retailer is trying to build up.

MR. LAWRENCE: You mean instead of regulation some active restrictions?

MR. COLLIS: As a level, a ceiling level.

MR. LAWRENCE: Cilings always become the going rate, don't they? Are you serious? Have you considered this? Are you serious about this?

MR. COLLIS: This is my own thoughts, this has nothing to do with the trade.

MR. LAWRENCE: Well, I wish you would consider it and come back to us because I would imagine this would be repugnant to most --

MR. COLLIS: This might be another hot potatoe, such as store hours.

MR. LAWRENCE: I wish you would consider that then and if you are serious come back with your further submission to us. I would doubt very much if that would be agreeable to most of your members though.

MR. ROLLING: A variety of things have been investigated perhaps more thoroughly in the U.S.A. than in Canada with regard to consumer

charging and some of the references that I will leave certainly have found this very very clearly by authorities who are recognized. This is Professor Robert W. Johnson, Professor of Financial Administration, Graduate School of Business Administration, Michigan State University. Some of his references were used in the recent Senator Douglas hearing on banking and finance in the United States. The subject is covered and covered very thoroughly from practically all aspects and I think you will find this of value in your deliberations.

Also a study conducted by the National Retail Merchants Association in the United States and what was revealed with regard to credit costs there in the larger department stores. I think you will find in your deliberations these things of value to your Committee, and perhaps answer some of the questions you are asking.

THE CHAIRMAN: Thank you. Mr. Oliver do you have any questions?

MR. OLIVER: Just an observation, Mr. Chairman. You appreciate, of course, that three or four of us were not on this Committee until recently. We haven't had the benefit of the discussions that have gone on heretofore. And with that in mind I would make this observation and surely this is true here this morning. I can't see that this is the particular class that we are after. In listening to the evidence this morning I would think that their charges for services in connection

with credit were perhaps as low if not lower than any of the ones that have been before this Committee during the hearings. Now if there is going to be redress and if there is going to be reform and if there is going to be change I think myself, Mr. Chairman, that we have to get the suggestions for change or the agreement for change from organizations such as are here this morning. Now with that thought in mind I am somewhat surprised that my friends wouldn't agree to saying that their service charge is a certain percentage. I mean, whether it is 16 or 18%. And I want to ask you now, is the fear of your members in expressing it in a percentage, is the fear that this would be construed as a straight interest charge -- I mean that it would be confusing to the would-be buyer that 16% was the charge solely for money and was a pure interest charge. Is that the great fear that is in the mind of your members?

MR. ROLLING: I think generally, Mr. Oliver, you would be correct in that observation. There are many elements that sometimes enter into a charge and if these things are wrapped into one package and called an interest rate -- anything may happen with the thing.

MR. OLIVER: That's just the point that I'm after. If you say that this is an interest charge, as my friend, I think from Peterborough, a moment ago said, if you are going to set this out as 16% interest on this account. Now I can see quite frankly, from the few meetings that I have attended,

that that would jeopardize the merchant in selling. I think there is no doubt about that. But if you go into the other field and say that this 16% is a service charge -- I mean it would include interest, it would include your cost of administration and everything else -- now what in the world is wrong with setting out at 16% as the cost of servicing this account for credit purposes, at 16 or 17% or whatever it is, so long as your costs are as low or lower than your competitors? It would seem to me, Mr. Chairman, that if that could be done, that it won't harm you but that it would help you. It would put your competitors at a disadvantage and certainly the consumer, the man who buys your appliances or your refrigerators, he is not going to go to your competitor and get it for less than 16 or 18% because you are as low as anyone in the field, so you have nothing to fear from competition in that field, it seems to me, unless my calculations are all askew, and I don't think they are. I would like to use this organization, Mr. Chairman, as a model and to fear that somebody else is going to compete in that field, why that fear would be removed if every one of your competitors had to state in a like manner in a column that their service charge -- not interest, but their service charge for all the cost of carrying this -- were 16 or 18%. And you have nothing to fear because you are in the lower bracket. And I again come back to what I said at the start, Mr. Chairman, that if we are going to move in the direction that many of us feel

we should move, then I think we should have the support of this group, who are doing an admirable job in that field now and at a rate or at a level that is as low or lower than their competitors. Really they have nothing to fear in doing that.

THE CHAIRMAN: I think what these gentlemen are fearful of is the psychological effect of showing the percentage first of all and secondly if you had to show the percentage charge some of the competitors might bury this or inflate the price of the goods so that it wouldn't be shown as a percentage, it would be hidden in other words. So that there are problems here.

MR. LAWRENCE: But their own brief rectified that by saying that the cash price should be set out too in a statement. If this is so all you have to do is go around the corner and see --

MR. SEDGWICK: Oh, I know but you can shop and shop. One man says 110 and he is concealing half the interest and the other man says 100 so he is down to 16%. The 110 man says in big letters "Our service charge is only 5%". I'm afraid that would be the thing that would attract people and they would forget or not know --

MR. MACDONALD: The logic of your argument though, Mr. Chairman, is that we just can't do anything about the present situation. It gets back to the basic point of whether or not you would drive underground back into the original retail price.

MR. SEDGWICK: I was only expressing

the view that I think the magic of an interest rate is confusing. Interest is the value of money borrowed and when you complicate that factor by adding to it services and other things and you express it as a percentage, the average consumer thinks of it as interest although you don't describe it as such and it is confusing.

MR. WHITE: Well I would like to make one or two comments on this general problem in part to interpret the sentiments of business to members of the Committee who may not be experienced in that line of undertaking and in part to explain our function to these gentlemen who are representing all this. I think the basic resistance from businessmen to legislation like we are talking about is because they fear any change. Most businessmen are making some kind of a profit. They are reluctant to see changes from government that may make their task more difficult or which may interfere with legitimate profit-making undertakings. I think that businessmen are quite right in not wanting any further encroachment of government. Their lives are difficult enough already because of the competition of the marketplace. And if I were these gentlemen here I would not care to see a lot more government regulations imposed on their orderly business enterprises. I wouldn't want to see another government inspector leaning over my shoulder to make sure that I was dealing properly and all the rest of it. I am in full sympathy with the point of view you express.

Now if we legislators have -- and by the way I would like to mention to you in case you don't know it, that eight of the twelve members at this table are businessmen and so we are not going to be in a hurry to put you fellows out of business. Now we have got a dual responsibility here. We want to protect the legitimate aspirations of the business community and we want to protect the consumer from that small unscrupulous group of businessmen.

We have had two or three dozen suggestions. You chaps that were here yesterday or the day before will know that it was suggested that the right of repossession be restricted to what is sold on the contract and that a company having a chattel mortgage on furniture and the man's household or something like that not be permitted. There isn't a lot of debate at the table about that because we all understand that suggestion and in the closing days of the Committee we will decide whether or not we think it's desirable. All the discussions, or most of the discussions, revolve around this idea of disclosure of interest rates because we have to determine first of all if it is feasible and in seeking out the truth of this aspect of the problem we are asking a tough question. The hatful that represent business interests are sometimes reluctant to give full and frank answers and the hard driving questions that come from this side of the table don't represent an antipathy towards business

so much as a determination to arrive at the truth concerning the feasibility.

When we decide that question we have to turn to the matter of desirability and comments such as those that you have made will certainly weight very heavily when those deliberations take place.

I think that the small businessmen are the heart of Canadian free enterprise. They are the economic risk takers, they are the economic innovators, they are the outstanding citizens in any community and I would be very disappointed if you took back with you any misunderstanding about our intent or purpose. We are very sympathetic towards your cause and we will not ride roughshod over you in seeking to protect the consumers of Ontario.

THE CHAIRMAN: Mr. Edwards?

MR. EDWARDS: Well Mr. Chairman, I think Mr. White has expressed the feelings I have with regard to this Committee. I have been in the retail business myself for some 30 years in the drug business. I must say I have very little credit business, we don't seem to have it any more like we used to have. People seem to have more money as far as that's concerned. Business has been good. But I do think Mr. White has expressed my feelings.

THE CHAIRMAN: Mr. Letherby?

MR. LETHERBY: Mr. White has wrapped up my thoughts in all matters so there is nothing I can add.

MR. REILLY: I wouldn't think, Mr. White, that the businessman is afraid of making change. There isn't any fear in their hearts about making changes, they are making changes daily, those businessmen who are aggressive are constantly alert to making necessary changes, but I would ask Mr. Rolling specifically what is your connection with the Retail Merchants Association?

MR. ROLLING: I'm General Manager in Ontario.

MR. REILLY: So you are General Manager of Ontario. Just to get it clear in my own mind, you have 4,000 members in Ontario. Do they pay a fee or does it depend upon the size of the organization or the number of employees as to what fee they pay to belong to your organization?

MR. ROLLING: It is not graduated, Mr. Reilly. There is an annual fee for membership and we provide some services (rest of sentence inaudible)

MR. REILLY: There are 60,000 retail merchants of which you made mention earlier -- are they in Ontario?

MR. ROLLING: They would be across Canada.

MR. REILLY: Because when you referred to the 180,000 across Canada, I wondered which 60,000 were the retailers.

MR. ROLLING: Well, Mr. Reilly, a number, a great number of the listed retail establish-

ments would take in the sale of alcoholic beverages, motor vehicles -- I've listed some of them here -- restaurants, they would have to be divorced, but they are classified generally as retail (rest of sentence inaudible)

Our membership fluctuates because everyone is not due at a certain date of the year, maybe the first of January, they may not be due til the date they joined today at this time next year, therefore we always have a fluctuating total. And we have members who are members for three or four years and this year they are not members. They seem to consider once a member always a member. This is the independent retailer.

MR. REILLY: Your colleague, Mr. More, indicated that perhaps one in ten came in and asked about the percentage of the rate of interest and I think that Mr. Boys indicated that maybe one in 20. Have you got some idea of how the average is -- are more of your members interested from the standpoint of a dollar interest cost or from the standpoint of percentage of interest?

MR. MORE: We have already indicated, sir, that it was the dollar.

MR. REILLY: I know what you did and I know what Mr. Boys did, I was asking Mr. Rolling from the standpoint of the entire membership would he have any idea?

MR. ROLLING: As to that we haven't conducted a survey on that particular point but that

is the general feeling that dollars and cents is much more easily handled.

MR. REILLY: Would Mr. Boys care to tell us about what happens in a case where it went beyond 24 months? He has said that he never accepts any contract beyond 24 months. What happens when it does go beyond 24 months.

MR. BOYS: I accept perhaps one a year, that's all.

MR. REILLY: Do you change your rate of interest when it exceeds a period of 24 months?

MR. BOYS: No, it is still 9% on the unpaid balance though I caution them if it is at all possible I would like them to pay it off within 24 months and I write very few contracts that way. That is not a problem, going over the 24 months.

MR. REILLY: The only thing I would say to Mr. Oliver, Mr. Chairman, in connection with disclosing a fee after this nature is you would have to, it would be imperative to have some understanding or some control from the standpoint of our banking rates and what would be expressed as bank interest if we were going to show or ask these people to reveal these rates as 14 or 16 or something else.

MR. LAWRENCE: You mean it would drive them all to the banks to get credit?

MR. REILLY: Well, you see, the banks at the present time, I understand, doesn't come under our jurisdiction and it has a 6% rate, and if the 6% rate is tantamount to 11.4 on a declining

balance then I think we would have to ask the cooperation of the banks to reveal this rate as 11.4 if we are going to be fair to the retail merchants.

MR.ROLLING: The suggestion has already been made to the Committee at a joint meeting.

MR. REILLY: And the other observation in connection with it, I think, Mr. Chairman, is simply this -- the effect has been pointed out from the standpoint of the effect on the economy and from the standpoint of the effect on employment. I think that when the retailers make it possible for people to purchase refrigerators and stoves and all that there are countless hundreds and thousands of units that are being produced that otherwise would not be produced if he didn't have a credit system. And this is something that we must not lose sight of.

MR. ROLLING: We as a national association have made the recommendation for some cases in the Banking Act to give a little more elasticity to the banks in their dealings at the retail level. That is the retailers level that purely involves credit. Some of these recommendations have already been embodied in the findings of the Royal Commission and the recommendations are now made at the federal level. This of course is agreed to generally by the banking community too. I think perhaps that this may take some time to accomplish, but it is in the recommendations of the Royal Commission on Taxation, some of which was made by ourselves.

THE CHAIRMAN: Are you completed, Mr.

Reilly?

MR. REILLY: Thank you, Mr. Chairman.

THE CHAIRMAN: Mr. Irwin?

MR. IRWIN: Mr. Chairman, I just wanted to correct the record there, or the impression in the record in regard to two comments that have been made. Mr. MacDonald, in regard to your calculations I think you would want it placed on the record that while taking the interpretation of the effect of the interest in the way you had calculated it, if done that way the facts would appear to be correct, but where you have a blended payment -- if I understand the terms of the contract it was $750.00 borrowed for a period of 60 months. The effective rate over the entire term of the contract is only about 14%. I don't think it is correct to leave that impression.

The second impression I would like to put straight. I have no obsession about disclosing interest. Statements are made in connection with the technical problems involved with declaring an interest rate. I think I have to make it clear that it can be done. Nothing in the record states, since I have sat on the Committee, indicates that I have said it should be done. I'm not saying it should be done.

MR. REILLY: You will agree that you are a little closer to the picture than the average carpenter or electrician or consumer?

MR. IRWIN: And the third point is

merely in the form of a question directed to the gentlemen is -- I agree the economic implications of disclosure are very, very important. I feel that there are two economic possibilities. I have no means at the moment of evaluating them. It's possible that such disclosure could change the pattern of lending or extending credit and therefore might encourage certain institutions and discourage others. It might discourage retail buying. I don't know. That's sort of an adjustment of the economy. The second effect would perhaps be an overall one, that it might have a discouraging effect on buying generally, like Mr. Reilly is suggesting. But the important thing about these two things is that while they seem to me to be of fundamental importance to this discussion, nobody has attempted to give us any evaluation of this and this might be something that you might consider. People make the suggestion that there would be very deleterious effects on the economy and on buying but nobody has attempted to evaluate to what extent.

MR. ROLLING: This is an assumption, Mr. Irwin, that it would because it is a change in pattern. I think it would be quite difficult to evaluate what was going to happen when one is not in a position to first of all evaluate what was going to be, if anything, brought forth in the form of regulations. I would like to say this to the Committee and the Chairman, that we as the Retail Merchants Association of Canada (Ontario) would be

most happy to act as a sounding board to assist the Committee in future deliberations or in consultations and put our facilities completely at your disposal.

MR. MACDONALD: Mr. Chairman, I just want to make a comment by way of a personal comment on this. Undoubtedly you are going to thank these gentlemen as you always do in your gracious way, but I want to especially thank them because they have come here accepting basically the Retail Council's brief but at least you have been openminded and you presented your reactions to the thing and you say now you are willing to be a sounding board. And I know of no better sounding board in terms of a group that is not the real fault and for whom we don't want to create unnecessary difficulties, but we, as you see, are being driven to try and find a yardstick. And if you will work with us in trying to find a yardstick that doesn't complicate your lives -- you are not the real problem -- I must say that I had the feeling the last couple of days that there was an awful lot to be hidden and an effort to keep it hidden. But this hasn't been the case in your instance.. In other words this openmindedness, I think, is going to help us find the solution.

THE CHAIRMAN: Gentlemen, I can't add anything to that. We do appreciate what you have said to the Committee and I am sure it will be of much help to us and you have been very frank with us and quite open in your answers and that, too, is

very refreshing. Anything else? Then this meeting is adjourned.

MR. LAWRENCE: Mr. Chairman, before you adjourn the meeting -- I missed the beginning -- you don't intend to reconvene this afternoon?

THE CHAIRMAN: No.

MR. LAWRENCE: I believe you have indicated that we are not going to sit until October?

THE CHAIRMAN: If Mr. Sedgwick will wait -- he is leaving shortly for England and he is going to look into the English legislation, as you know. There would be very little we could do in September so we are not planning to have any meetings in September but we will have in Ottawa in October and probably three meetings.

MR. LAWRENCE: I was wondering in the interval -- I mean there is going to be a two months gap -- if we couldn't have some statistical work done for us, and in spite of Mr. Sedgwick's absence I think really it is about time, past time quite frankly, that we should have some comparative legislation.

MR. REILLY: Your last statement I didn't get.

MR. LAWRENCE: We should have some comparative legislation before us so that when a group comes in we can say, "Well, North Dakota has such and such legislation, or Saskatchewan or Manitoba or Mahatma Ghandi or somebody has got something down here, what do you people say about this?"

I mean there is a lot of jurisdiction at the moment and I think we should have this before us before we go any further. We have a two months gap here. As these groups come before us as well I think it is rather unfair that we have to ask the Council for the retail credit --

THE CHAIRMAN: We did cover that at the very beginning of our meetings. We had the Attorney General's representative here.

MR. MACDONALD: Well Mr. Chairman, if our Secretary -- before Mr. Sedgwick leaves perhaps some preliminaries could be done in terms of the material that is available here now.

MR. SEDGWICK: We did have -- it's a very old study of comparative legislation.

MR. LAWRENCE: I vaguely remember that. I don't remember North Dakota coming into the thing.

MR. SEDGWICK: Oh, no, North Dakota didn't.

MR. LAWRENCE: As a matter of fact I think we had two paragraphs, one relating to certain intended legislation in Alberta and other legislation that has never been proclaimed in Manitoba. Other than that I don't think we have had anything. Right next door in Quebec there is some very important legislation. I don't think we --

MR. REILLY: That was covered. As a matter of fact wasn't it Mr. McKenzie who covered that thoroughly.

MR. SEDGWICK: We had the ( ) before us. Certainly we didn't have everything of the 50 States of the Union.

MR. LAWRENCE: I mean a lot of work has been done in the two years that we started, or whenever it was that we did start.

THE CHAIRMAN: Well, we can be working on that and Mr. Harcourt and our staff will be working on that, in getting that information and making it available to us. Then we will have Mr. Sedgwick's report on English legislation when he comes back.

MR. SEDGWICK: I don't know of a central bureau in the States.

MR. LAWRENCE: I think the AG's Department have done a lot more work on it since we started.

THE CHAIRMAN: We can bring that up to date and be working on that during the month of September. It doesn't look at the moment as if we can do any other useful work.

MR. MACDONALD: Mr. Chairman, are you contemplating getting at this door to door thing following Mr. Sedgwick's report?

THE CHAIRMAN: Yes.

MR. MACDONALD: Presumably in November, if we are going to Ottawa in October. Because I have a number of cases -- I could discuss them in detail with the Secretary or our Counsel, that I think, which have been brought to my attention,

and undoubtedly all the other members of the Committee have them, and I think they are good illustrations of it, related to one or two of the finance companies which apparently deal in some of what has come to be described as hot paper. And to explore this whole area and part of the door to door selling and come to some conclusions on what legislation could be passed here. But presumably we will have October in terms of lining that up.

MR. SEDGWICK: Mr. MacDonald, I feel that the one remaining field that is of great importance is this door to door selling that we haven't touched on at all.

THE CHAIRMAN: A further investigation into this --

MR. LAWRENCE: Would it therefore be your intention, Mr. Chairman, that we should make a final report to the Legislature at this session?

THE CHAIRMAN: Well if it's possible for us to complete and the Committee feels that we have completed our investigation by the end of the year then we should consider giving a final report. We have covered, I think, the ground quite extensively, except for these one or two areas that seem to need to be investigated.

Any other comments? Then we will adjourn then until October.
